



OFFICE OF THE
ARIZONA STATE TREASURER

HON. DEAN MARTIN
TREASURER



March 19, 2008

Hon. Governor Janet Napolitano

Hon. Senate President Tim Bee

Hon. House Speaker Jim Weiers

Dear Governor Napolitano, Senate President Bee and House Speaker Weiers

I'm writing to you today to urge a quick resolution to balance the FY 2008 budget. The General Fund of the State of Arizona will be running RED INK in as little as five weeks if a revised budget is not passed, according to data from the state's accounting system.

While we have over \$12.7 billion dollars in deposits invested, including \$5.2 billion in state funds. We predicted this recession last year, and have been preparing our investment portfolio, including the rainy day fund accordingly. We have structured our investments to ensure there is liquidity for both state and local governments to meet their cash needs during this economic downturn. As a bank we are in very good shape, but agreement on a revised FY 2008 budget is needed to prevent the General Fund account from being overdrawn in the next few weeks.

We have analyzed the current spending for the first 262 days of this fiscal year (as of March 18th), and the state has *not* slowed its rate of spending during this budget crisis. The exact opposite has occurred; general fund spending is on a pace to even exceed the original FY 08 appropriation. **At the current spending rate, the General Fund only has enough revenue to make one more payment to schools, and perhaps three more paydays for employees before the account is overdrawn at the bank.** The state has already spent over \$7.6 billion of the General Fund; that is over \$29 million per day.

Meanwhile revenues have continued to slide. Both of your budget offices have lowered their General Fund revenue estimates. Without immediate intervention, the General Fund will be overdrawn as soon as April 23 but no later than May 5, depending on which estimate is used.

While the State does have other funds in other accounts, as Treasurer I do not have statutory authority to move money from the State's other accounts to cover their deficit. As you know, only the Legislature and the Governor can move those funds through an appropriation. If you have any questions, please give me a call at 604-7800.

Sincerely

Dean Martin
Arizona State Treasurer